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Report Highlights:

Saudi Arabian broiler meat production is forecast to reach 559,000 metric tons in 2007, an increase of two percent over 2006. The Kingdom's total broiler meat imports in 2006 will decline 10 percent to 434,000 metric tons due to decreased consumption January-April because of AI consumer concerns following detection of the disease in nearby countries.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Riyadh [SA2]

[SA]

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Broiler Meat Production

The Saudi Ministry of Agriculture (MOA) classifies poultry production farms as either specialized (commercial) or traditional. The PSD table in this report includes only commercial production. The vast majority of poultry meat produced in Saudi Arabia consists of broiler chicken (about 97 percent), the balance attributed mainly to culled hens and quail production.

Production, Supply and Demand Table

PSD Table

Country	Saudi Arabia					
Commodity	Poultry, Meat, Broiler (1000 MT)					
	2005 USDA Official (Old)	Revised Post Estimate (New) 01/2005	2006 USDA Official (Old)	Estimate Post Estimate (New) 01/2006	2007 USDA Official (Old)	Forecast Post Estimate (New) 01/2007
Market Year Begin						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	479	537	489	548	0	559
Whole, Imports	480	454	490	414	0	440
Parts, Imports	0	30	0	20	0	30
Other Imports	0	0	0	0	0	0
TOTAL Imports	480	484	490	434	0	470
TOTAL SUPPLY	959	1021	979	982	0	1029
Whole, Exports	10	10	10	10	0	10
Parts, Exports	0	0	0	0	0	0
TOTAL Exports	10	10	10	10	0	10
Human Consumption	949	1006	969	967	0	1014
Other Use, Losses	0	5	0	5	0	5
Total Dom. Consumption	949	1011	969	972	0	1019
TOTAL Use	959	1021	979	982	0	1029
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	959	1021	979	982	0	1029
Calendar Yr. Imp. from U.S.	0	1	0	1	0	1

Preliminary information provided by the MOA indicates higher broiler meat production in 2005 than initially estimated by local poultry producers. Accordingly, we have revised our PSD table for 2005 upward to reflect this new information. The MOA indicated that the country's total broiler meat production reached 537,000 metric tons in 2005. Based on the MOA data and local trade information, broiler meat production is forecast to reach 559,000 metric tons in 2007. Newly licensed farms are the main reason for the expected production increase. The total number of broiler meat production units in 2005 reached 410.

Production Cost

Saudi Arabia's production capacity is estimated to have increased to 650,000 metric tons. Local production, however, is not expected to increase dramatically because of continued stiff competition from highly competitive imported poultry meat. Increases in domestic broiler

meat output is tied to generous financial, technical and other government assistance. This support is designed to compensate for the higher local production costs ranging from \$1,090 to \$1,380 per metric ton compared to a C&F price for imported Brazilian frozen broiler meat that fell to as low as \$800 per mt earlier this year.

Production Policy

The Saudi government encourages the establishment of new poultry farms and the expansion of existing ones in order to attain the maximum possible self-sufficiency level in broiler meat production. To help meet this goal, the government grants interest free loans to new viable poultry farms. It also maintains a subsidy program, started in the late 1970s, which pays 25 percent of the cost of selected poultry equipment. In September 2004, the government introduced a new subsidy scheme for local poultry meat producers to help them construct cold stores, buy refrigerated trucks, screeners, grading and farm packaging equipment. Poultry farms, particularly larger units, benefit from various government subsidy schemes to spur investment in the latest broiler production and management technologies. Local poultry equipment manufacturers also are entitled to receive various government subsidies. The Saudi government provides a subsidy to importers of \$42.67 per metric ton for imported corn and soybean meal. The corn subsidy is based on U.S. number 2 yellow corn, which provides a significant incentive for Saudi importers to buy U.S. corn. The government pays importers \$66.67 per metric ton for imported feed barley.

Grow-Out Period

The grow-out period for broilers in the Kingdom ranges between 35 and 42 days. Although there is no data available indicating the average weight gain per day, the average broiler live weight when marketed is 1.40 kg. It takes about 1.8 kg of feed to produce a marketable chicken.

Poultry Diseases

Avian Influenza

Thus far, the Kingdom is free of the H5N1 strain. However, in late January 2006, the Saudi Ministry of Agriculture killed and burned 37 falcons after five of them died because of infection with H5 avian flu. On November 12, 2005, the Saudi Government imposed an immediate ban on the importation of live birds due to concerns over avian influenza. This followed the discovery of bird flu in Kuwait. The government import ban excludes day-old chicks and hatching eggs.

In order to reduce possible human infection with poultry related diseases, the MOA has ban new sales of live chickens within Saudi city limits, effecting August 2007. Currently, there are several thousand live chicken retail stores in the Kingdom. Customers buy live birds, which are slaughtered in the shops. After August 2007, poultry consumers will have access only to chilled and frozen poultry sold in supermarkets and other fresh/frozen meat retailers. The government had contemplated closing the live chicken retail stores for several years due to the inability of most stores to meet established hygiene standards. However, it delayed until August 2006, issuing a decree because of the significant adverse economic impact on both retailers and their suppliers, many of which are mostly small poultry farmers.

Common Poultry Diseases

The most common poultry diseases found in the Kingdom include: Newcastle Disease Virus (NDV), Gumoro, Infectious Bronchitis (IB), Avian Influenza (H₅N₂ subtype), and Salmonellosis, Coccidiosis. According to major poultry producers, no major disease outbreak was reported in 2006. NDV, however, continues to be a major problem for small-scale poultry farmers.

The MOA's decision in December 2002 to ban the transportation of live poultry from one region to another helped minimize production problems related to poultry diseases such as NDV. The scheme reduced the possibility of transferring the transfer of diseases from affected regions and reduced high chicken mortality rates incurred during transport.

Consumption

Per capita consumption of poultry meat and products is estimated at 37.4 kg in 2005, based on the Kingdom's total population of 27 million. Per capita consumption in 1979 reached only 16.5 kg. Broiler meat consumption is projected to continue growing over the next few years due to: (1) chicken is the most competitive animal protein source in the country (\$1.60 per kg compared to \$5.33 for red meat) and (2) a growing preference for chicken meat by increasingly diet conscious consumers.

Poultry meat consumption during January-April period this year fell by 15 percent following the detection of AI in Egypt and Kuwait. However, consumer fear of AI has since abated. This largely reflects measures taken by the Saudi Government to ban imports of poultry and poultry products from affected countries coupled with repeated announcements by the government that the Kingdom is free of AI.

Trade

Imports

For the past several years, Brazil has been the leading frozen broiler meat supplier to the Kingdom, followed by France. Argentina and South Africa were a distant third and fourth respectively in 2005. Last year, Saudi Arabia imported 484,202 metric tons of broiler meat, an increase of 12 percent compared to 2004. In 2005, Brazil exported 380,523 metric tons of poultry meat to Saudi Arabia (accounting for more than 78 percent of total imports), France 93,088 mt, Argentina 7,237 mt, South Africa 1,555 mt and other countries 1,799. Brazil will continue to dominate the Saudi poultry import market for the next several years due largely to its price competitiveness and its reputation as a high-quality frozen broiler meat supplier.

The Kingdom's total broiler meat imports in 2006 is forecast to decline 10 percent to 434,000 mt due to decreased consumption January to April because of AI consumer concerns. According to Brazilian Customs data for the first six months of 2006, total exports to Saudi Arabia declined 19 percent compared to the same period a year earlier (see trade matrix at the end the report). In 2007, imports are expected to bounce back due to reduced consumer fears.

Recent C&F Prices

According to local importers, Brazilian frozen poultry meat prices (C&F Saudi ports) increased from \$1,200 per metric ton in July to \$1,350 in August. Prices for French chickens are similar to those for Brazilian products. A further \$100 price increase is expected by December. This is attributed to increased Saudi demand for poultry meat to feed more than 2 million foreign pilgrims who will come to Mecca to perform Haj rituals. It is worth mentioning that Brazilian poultry prices fell to \$800 per metric ton in early 2006 due to reduced import demand.

The considerable price increase recorded in recent months is largely attributed to an import demand in Egypt due to the collapse of the Egyptian poultry industry as a result of AI outbreak last February. In order to satisfy market needs, the Egyptian government reportedly decided to remove both quantitative restrictions and tariffs on poultry imports for 6 months starting from July 2006. Brazil seems to be the only player in the Egyptian market since the country is free from AI and its poultry prices are very competitive compared to other supplying countries. According to FAS Cairo, the Egyptian plan is to import 450,000 metric tons during the July-September 2006 period. Other factors accounting for the rise in C&F prices for Brazilian poultry delivered to the Kingdom include: (1) higher Brazilian production costs; (2) increased demand for Brazilian chicken in other markets; (3) stronger Brazilian Real exchange rate; (4) static poultry production in Brazil; (5) reduced exports from France; and (6) a ban on Chinese poultry meat imports imposed by the Saudi government.

Claims of Unfair Prices for Imported Chicken

Despite various government subsidies provided to the local poultry industry, producers continue difficulty in competing with imports. At most times during the year, locally produced frozen broilers are more expensive than imported product. Local producers maintain that the Brazilian and French governments subsidize their poultry exporters and that product is dumped in the Kingdom. Saudi Arabia's Cooperative Society for Poultry Producers is engaged in a high profile lobbying effort to convince the Saudi government to increase the import duty on poultry meat from the current rate of 20 percent or \$0.266 per kg, whichever is higher. The organization also is active in a media campaign to discredit the quality of imported chickens, claiming that they are below the established Saudi poultry specifications. The government has indicated its willingness to revisit the import tariff and to implement other control measures if the Cooperative Society can prove that imported chickens are under-priced or that they do not meet local standards. The society has presented to date any convincing evidence to support its claims.

Tariffs

The customs duty on imported chicken is 20 percent or \$0.267 per kilogram, whichever is higher. This rate has been in place for several years.

Major Poultry Import Requirements

1. Hormone Free Certification: The Saudi Ministry of Commerce (MOCI) requires that the responsible government agency of an exporting country include in a health certificate accompanying exported poultry meat a statement confirming that the poultry meat was tested and found to be totally hormone free. All imported poultry meat is randomly tested for Nutrofur and chlorophenical hormones periodically during the year.

2. Ban on Animal Ruminant Feeding: MOCI import requirements require the health certificate accompanying shipments conform to ministerial decree 123 issued in January 2001. This decree requires that health certificates issued by a government agency of the

exporting country clearly indicate that the birds slaughtered had not been fed animal protein, animal fats, or animal by-products. MOCI, which implemented the requirement on April 25, 2001, maintains that the measure is necessary to prevent the entry of poultry meat considered unfit for human consumption if birds have been fed these animal ruminant products.

3. Quality Standards: Imported poultry meat and products must meet all existing Saudi poultry meat quality standards and specifications, including halal slaughtering requirements.

4. Laboratory Test: All poultry meat and products imported will be tested at Saudi ports of entry to ascertain that they meet the above requirements.

Exports

Faced with stiff competition from imported poultry and low prices, some Saudi broiler producers have turned to exports. Saudi Arabia's broiler meat exports (whole and parts) are forecast to remain at 10,000 metric tons over the next couple of years. Saudi Arabia's exports are largely directed to nearby Arab countries such as Qatar, Bahrain, Kuwait, U.A.E., Oman and Yemen.

Distribution Channel

The Kingdom has an extensive infrastructure for poultry meat distribution. Poultry producers and importers have generally adequate storage facilities, including refrigerated trucks and cold storage.

Poultry meat and products are available in both wholesale and retail outlets throughout the Kingdom. Major poultry farms and importers sell their products either directly to consumers through their own nationwide retail outlets or through poultry wholesalers. Consumers may purchase poultry meat in cardboard boxes containing ten chickens from wholesalers or on a piece basis from retailers and supermarkets. Commercial customers buy their poultry supplies either from importers/distributors, poultry farms, or both. The Saudi government requires catering companies to use only locally-produced chicken when catering to government institutions such as the military or government-owned hospitals.

Many major poultry producers are vertically integrated with other poultry related businesses. They produce their own feed requirements and sell directly to customers through their own retail outlets or through wholesalers. Several poultry producers operate their own chicken fast food outlets. Al-Fakieh Poultry, the second largest poultry farm, opened its first outlet as Taza Barbecue Chicken in 1990 and now has outlets throughout the Kingdom as well as several branches in other Arab and some Asian countries. The firm has one outlet in the United States in Chicago.

Trade Matrix

Major Broiler Meat Suppliers to Saudi Arabia, 2000-2005						
Reporting Country	Year of Reporting (Metric Tons)					
	2000	2001	2002	2003	2004	2005
Brazil	207,809	255,990	251,387	288,555	333,223	380,523
France	112,683	106,693	101,684	113,147	83,032	93,088
China	18,490	33,534	34,913	42,008	4,799	0
Argentina	0	0	454	4,196	5,369	7,237
United States	6,952	2,109	941	230	192	706
South Africa	754	109	0	11	429	1,555
Other Countries	728	901	1,576	4,225	2,417	1,093
Total Imports	347,416	399,336	390,955	452,372	429,461	484,202

Source: World Trade Atlas

Following are data on Brazilian poultry meat exports to Saudi Arabia for January-June 2006.

Supplying Country	Reporting Period (quantities in MT)	
	January-June 2006	January-June 2005
Brazil	142,645	177,798

Source: Brazilian official data.